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Agricultural Situation

Sichuan Earthquake Shakes-Up Local Agriculture

2008

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Report Highlights:

On May 12, 2008, China's Sichuan Province experienced a massive earthquake measuring 8.0 on the Richter scale. Official news reports are that 69,000 died and almost 20,000 are still missing. The total loss in agriculture is estimated at \$1.5 billion. According to some sources, pork production will be down one million metric tons. The affected area includes Mianyang, one of the eight areas that account for 51 percent of the province's total production. In the local area, the government is imposing price controls. In addition, effective from June 1st until December 31, Chinese government has reduced the pork and soy meal import tariffs, providing possible market access opportunities for U.S. exporters.

Includes PSD Changes: No
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Annual Report
Chengdu ATO [CH5]
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8.0 Earthquake Severest in 30 Years

The May 12, 2008, earthquake hit Wenchuan County in China's Sichuan Province has been upgraded to 8.0 by the China Seismological Bureau. The epicenter of the earthquake was just north of the capital city of Chengdu.

Death Tolls Daily Rise

Current reports are the earthquake killed over 69,000 people and there are still almost 20,000 missing. Disaster response efforts have shifted to addressing problems including insuring the safety of survivors against threats of flooding, land slides and disease, and providing services for the displaced.

National Economic Loss to Local Devastation

The epicenter of the earthquake is in the mountain area of Sichuan province, where the economy is predominantly tourism and mining. The GDP in the disaster area is reported to account for 2 percent of China's total GDP. Even away from the devastation, in the capital city of Chengdu, which escaped almost unscathed, five-star hotel room occupancy rates are less than 25 percent, down 60-70 percent from the previous year. The damage from the earthquake is expected to slow China's total GDP growth by more than one-half percent.

Agricultural Production Staggers But Impact Limited and Will Rebound

Sichuan is the largest hog production province, second largest in meat production, third largest in produce production, and fourth largest in grain production. The earthquake damaged agricultural production areas, infrastructure, and laboratory facilities. According to local officials, the total loss in agriculture has reached \$1.5 billion (10.2 billion RMB). This includes \$557 million (3.9 billion RMB) loss in production value, and \$257 million (1.8 billion RMB) in facilities, such as laboratories. An estimated 240,000 hectares of farm land was damaged, 0.06 percent of the total in the province. In addition, 53,000 green houses, 520,000 biogas tanks, 880,000 square meters of farm houses, and 16,000 pieces of equipment were damaged.

Sichuan Fattens Upon Pork

Sichuan's swine production accounts for 12 percent of China's total swine inventory, 11 percent of slaughter, and 10 percent of the total pork production. Sichuan Provincial Department of Agriculture and Forestry Bureau data shows that Sichuan slaughtered 71.1 million head of swine in 2005 and 74.7 million head in 2006. Sichuan's swine production is mainly concentrated in eight cities, including Chengdu and Mianyang, and the pork production volume in these eight cities contributes 51 percent of total production in the region.

Impact on Pork

On May 19, 2008, Vice-Minister of Agriculture Wei Chao'an said the impact on agriculture includes the destruction of 12.5 million head of livestock, mostly poultry. While unconfirmed, some sources suggest that the Sichuan earthquake killed over 3.5 million hogs and will reduce China's pork production in 2008 by an estimated one million metric tons, about 1.35 percent of total production. MOA preliminary statistics show that some agricultural production cities in the disaster area, including Deyang, Mianyang, and Chengdu, will loose 1.845 million head of piglets due to the loss of sows, which will bring pork production down 385,000 MT in 2008.

Grain Reserves Allocated to Disaster Victims

The Chengdu Food Bureau announced that the central government has allocated 150,000 tons of grain from the central food reserves to Sichuan Province in order to ensure adequate food supplies in the earthquake area. The Sichuan Provincial Food Bureau has organized a traveling inspection team that will ensure the quality of grains and oils in the earthquake

disaster areas. Reportedly, 2000 metric tons of central government meat stocks have also been transferred to the disaster area.

Disaster Relief – Price Controls

In response to dramatic food price increases, especially since the winter storms disrupted logistics in Southern China, the Chinese government has instituted price controls on target products. Price increases exceeding the target levels must be pre-approved by the appropriate government authority. After the earthquake, food and fuel prices in the affected areas were frozen.

Tariff Reductions Target Food

In recently reports, the Chinese government has asserted that pork production declines from the earthquake have stalled forecast price declines and the National Development and Reform Council reported on May 29, 2008, that the retail price report of lean pork declined slightly (0.14 percent) in mid-May. Local papers paint a more sanguine picture, noting that prices will likely continue rising because of the 3.65 million hogs lost. May 29, 2008, the Chinese government reduced import tariffs on key food prices, including pork, soybean meal and some edible oils. Pork tariffs were reduced from twelve to six percent, soybean and peanut meal tariffs were reduced from five to two percent. There were also some tariffs reductions on cotton, serum albumin and human vaccines.

Reconstruction Planned by Local Government

Sichuan Provincial Department of Agriculture is focusing on providing crops seeds and agricultural inputs, infrastructure rebuilding, providing farm equipment, repairing green houses, and rebuilding or repairing hydraulic (irrigation) facilities. With transport functioning now, it is possible for relief support efforts to reach most of the disaster area. Electric power has been restored to 90 percent and water has been restored to 85 percent of the earthquake disaster area.

Current Assistance Needed

With May and June the planting season, Sichuan Provincial Department of Agriculture has requested special assistance because of a lack of planting seeds.